UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

AMERIPRISE FINANCIAL SERVICES, INC. and SECURITIES AMERICA, INC.

Plaintiffs,

v.

THE RESERVE FUND; RESERVE MANAGEMENT COMPANY, INC.; and BRUCE R. BENT,

Defendants.

No. 08-CV-5219 (PAM/JJK)

AMENDED VERIFIED COMPLAINT

THE PARTIES

1. Ameriprise Financial Services, Inc. ("Ameriprise") is a registered broker-dealer and wholly-owned subsidiary of Ameriprise Financial, Inc. Ameriprise is organized under the laws of Delaware with a principal place of business in Minneapolis, Minnesota.

2. Securities America, Inc. ("SAI") is a registered broker-dealer and wholly-owned subsidiary of Ameriprise Financial, Inc. SAI is organized under the laws of Delaware with a principal place of business in La Vista, Nebraska.

3. The Reserve Fund is a Massachusetts business trust that is an open-end management investment company (the "Trust") registered with the Securities and Exchange Commission (the "SEC") under the Investment Company Act of 1940 (the "Investment Company Act"). The Trust has a principal place of business at 1250 Broadway, New York, New York, 10001.

4. Reserve Management Company, Inc. ("RMCI") is the investment adviser to the Trust. RMCI has its headquarters and principal place of business in New York, New York.

5. Bruce R. Bent at all material times has been the Chairman and President of the Trust. Mr. Bent has a principal place of business at 1250 Broadway, New York, New York, 10001.

6. Additional officers of the Trust and RMCI with significant roles in RMCI's management of the Primary Fund include the following: Bruce R. Bent II, Arthur T. Bent III, Catherine Crowley, John Drahzal, Patrick J. Farrell, Patrick Ledford and Christina Massaro.

JURISDICTION AND VENUE

7. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331, as certain of plaintiffs' claims arise under the federal securities law of the United States, as well as pursuant to 28 U.S.C. § 1332, as there is complete diversity of citizenship between the parties, and the amount in controversy as to each plaintiff exceeds $75,000, exclusive of interest and costs.

8. Venue is proper in the District of Minnesota pursuant to 28 U.S.C. § 1391(b)(2), as a substantial part of the events or omissions giving rise to plaintiffs' claims occurred in this district.

THE FACTS

9. The Reserve Primary Fund (the "Primary Fund") is a money market mutual fund organized as a series of the Trust. The Primary Fund has a stated investment objective of investing in high quality, short term securities so as to maintain a net asset value of $1.00 per share. As of the close of business on Friday, September 12, 2008, the Primary Fund had approximately $64 billion of assets under management, of which approximately $1.2 billion

were assets invested by Ameriprise in the Primary Fund on behalf of more than 150,000 Ameriprise client accounts.

10. In addition to the $1.2 billion of client assets invested in the Primary Fund, Ameriprise also had invested as of September 12, 2008 approximately $25 million of its own capital. This amount had increased to approximately $100 million as of the close of business on Tuesday, September 16, 2008.

11. As of the close of business on Friday, September 12, 2008, approximately $2 billion of the assets under management in the Primary Fund were assets invested by SAI in the Primary Fund on behalf of more than 175,000 SAI client accounts. In addition, SAI also had invested approximately $28 million of its own capital in the Primary Fund.

12. The Primary Fund holds, and has material exposure to, $785 million in debt securities issued by Lehman Brothers Holdings, Inc. (“Lehman”). On the morning of September 15, 2008, Lehman declared its intention to file for Chapter 11 bankruptcy, a step that had been rumored for several days.

13. On Monday, September 15, 2008, the Trust and its agents made a number of selective disclosures of non-public material facts to certain major institutional investors (the “institutional investors”) regarding the value and liquidity of the Primary Fund. These selective disclosures had the effect of causing certain institutional investors to submit redemption requests to redeem their shares in advance of other investors, at the then-prevailing net asset value of $1.00 per share.

14. The selective disclosures made by defendants and their agents included:

a. Disclosing to selected investors the prospect that due to the exposure to Lehman holdings, the Primary Fund could potentially “break the buck”;

b. Disclosing to selected investors different scenarios that might occur if the Primary Fund were to in fact "break the buck";

c. Disclosing to selected investors that it was impossible to determine the value of the Lehman debt held in the Primary Fund;

d. Disclosing to selected investors that the Lehman debt in the Primary Fund was being valued at par, and that otherwise, the Fund might break the buck – notwithstanding that no reasonable investor was valuing the Lehman debt at par;

e. Disclosing to selected investors that were the Lehman debt held in the Primary Fund to be valued at zero, the Fund could potentially "break the buck"; and

f. Disclosing selected investors that above-normal levels of redemptions and activities were occurring in the Primary Fund.

None of the above-described disclosures were made to plaintiffs or to the Primary Fund's shareholders generally on Monday, September 15, 2008, in direct contravention of the stated policy on selective disclosure of non-public information regarding the Fund. A public statement posted on the Trust's website and signed by defendants Bruce Bent and RMCI restates the policy succinctly: "we cannot by law give some investors information before we give it to others."

15. The selective disclosures described above made clear to those who received them on Monday, September 15, 2008 that the Primary Fund was experiencing significant difficulties and was in danger of "breaking the buck."

16. These selective disclosures had the effect of causing and/or increasing massive redemption activity in the Fund on Monday, September 15 – almost $41 billion of the $64 billion in the Fund was the subject of redemption requests that day. Of the tens of billions of dollars in redemptions submitted by shareholders on September 15, approximately $10 billion of redemptions were processed and paid that day.

17. Defendants knew or recklessly disregarded that the Lehman securities held in the Primary Fund as of September 15, 2008 were at most worth only about 30 cents on the dollar, which would result in adverse consequences to the net asset value of the Primary Fund. Given that information, Defendants should not have caused or permitted $10 billion in redemptions to be processed and paid at a $1.00 net asset value.

18. Defendants knew or should have known that the selective disclosures described above would have the natural result of causing a proverbial "run on the bank" at the Primary Fund.

19. Consistent with its fiduciary duties and Rule 2a-7 under the Investment Company Act of 1940, the Trust was required, upon realizing that the Lehman bankruptcy would likely cause a material dilution or unfair results to investors, to avoid such unfair results for all shareholders. Instead of doing so, the Trust and its agents made selective disclosures to certain investors that not only failed to avoid unfair results, but actually exacerbated those unfair results to investors that did not receive the disclosures.

20. Consistent with the Trust's stated policy on selective disclosure of non-public information regarding the Primary Fund, RMCI's own Chief Investment Officer, Mr. Ledford, described the practice of making selective disclosures to certain investors as "inappropriate." At the same time, Mr. Ledford admitted that RMCI did not undertake to prevent this inappropriate

practice on September 15, 2008 by monitoring or supervising the Trust's agents to ensure that they were not selectively disclosing information to certain investors.

21. All told, the institutional investors, whose identities are not known to plaintiffs at the present time, purported to redeem as much as approximately $41 billion of the Primary Fund's $64 billion under management at a redemption price of $1 per share. Plaintiffs believe and therefore aver that, except for $10 billion, these redemption requests are still in the process of being processed and the proceeds have not yet been paid.

22. On Tuesday, September 16, 2008, following the close of business Eastern Time – and after select institutional investors had redeemed $10 billion from the Primary Fund – the Trust issued a public announcement, a copy of which is appended hereto as Exhibit C, stating in material part as follows:

> The Board of Trustees of the Reserve Fund, after reviewing the unprecedented market events of the past several days and their impact on The Primary Fund, a series of The Reserve Fund and taking into account recommendations made by [RMCI], the investment manager of the Primary Fund, approved the following actions with respect to The Primary Fund only:
>
> The value of the debt securities issued by Lehman Brothers Holdings, Inc. (face value $785 million) and held by the Primary Fund has been valued at zero effective as of 4:00PM New York time today. As a result, the NAV of the Primary Fund, effective as of 4:00PM, is $0.97 per share. All redemption requests received prior to 3:00PM today will be redeemed at a net asset value of $1.00 per share.

23. The public announcement on September 16, 2008 was the first communication that plaintiffs received that the Primary Fund had broken or was on the verge of "breaking the buck." Of course, by the time plaintiffs received this information, approximately $10 billion had been redeemed out of the Primary Fund and approximately $31 billion more was the subject of redemption requests.

24. On Thursday, September 18, 2008 various Ameriprise employees spoke by telephone with Patrick Ledford, as well as John Drahzal, during which Messrs. Ledford and Drahzal explained that the Trust had contacted a number of institutional investors on Monday, September 15th regarding difficulties in the Fund and expressed surprise when Ameriprise stated it had not been contacted.

25. After the conversation with Messrs. Ledford and Drahzal, plaintiffs submitted redemption requests to the Primary Fund to redeem all their clients' and plaintiffs' own funds from the Primary Fund. However, the Primary Fund's net asset value had by then fallen further to approximately $0.95 per share, and any redemptions at this point may well bring substantially less. Plaintiffs' redemption requests have not yet been processed.

26. On Friday, September 19, 2008, the Trust announced that it had filed with the SEC an application for an order allowing it to suspend all rights of redemption from the Primary Fund. A copy of the September 19, 2008 release is attached as Exhibit D.

27. On Monday, September 22, 2008, the SEC formally issued such an order, allowing the Trust to suspend the payment of shares which had been submitted for redemption for which payment had not yet been made. A copy of the September 22, 2008 Order is attached as Exhibit E. By its own terms, the SEC order has no applicability to the $10 billion that had been redeemed and paid out of the Primary Fund by select institutional investors.

28. On Monday, September 29, 2008, the Trust issued a press release in which it announced that it planned to liquidate the assets of the Primary Fund pursuant to a to-be-determined distribution plan. A copy of the September 29 release is attached as Exhibit F. The release read in material part as follows:

> The Board of Trustees of The Reserve Fund (the "Trust") announced today that it has voted to liquidate the assets of The

> Primary Fund, a series of the Trust. The Board also approved a distribution in cash to all investors in the Primary Fund as of the close of business on September 15, 2008, including investors that have submitted redemption orders to date that have not been funded ("Investors").

29. By its own terms, the purported distribution by the Trust does not address the $10 billion that was redeemed out of the Fund as a result of selective disclosures that were made on Monday, September 15.

30. The selective disclosures made by defendants and their employees and agents were made in direct contravention of the Trust's own stated policies. In a release dated October 2, 2008, a copy of which is attached as Exhibit G, the Trust made the following statement to investors who might seek information about the Primary Fund's holdings:

> Please understand that we cannot by law give some investors information before we give it to others.

31. Through the selective disclosures made on September 15, 2008 to certain institutional investors, defendants and their agents disregarded the above-stated legal principle and did just that – give some investors information before they gave it to others.

32. Since the September 16, 2008 announcement that the Primary Fund was breaking the buck, the Trust and its agents have announced plans to liquidate the Fund and distribute the proceeds. The Trust has refused to commit to treating all shareholders as of September 15 equally in the distribution, and has repeatedly missed its stated target dates for beginning the distribution.

COUNT I
Violations of Section 11 of the Securities Act

33. Plaintiffs repeat and reallege the allegations contained in paragraph 1 - 33 above.

34. Shares of the Primary Fund were sold pursuant to a Registration Statement filed by the Trust with the United States Securities and Exchange Commission. Mr. Bent, along with others, signed the Registration Statement.

35. The Registration Statement was inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein.

36. For example, the Registration Statement described policies regarding selective disclosure of non-public information regarding the Primary Fund's portfolio holdings, including an assurance that the Trust and its agents "do not expect to disclose information about portfolio holdings that is not publicly available to individual and institutional investors, to intermediaries that distribute the Funds' shares or to any other third party." Nowhere did the Registration Statement disclose that institutional investors would receive selective disclosure of how the Fund's portfolio holdings were being valued, as occurred on September 15, 2008.

37. The Registration Statement also set forth share redemption procedures that in no way resembled the actions taken by the Trust and its agents on September 15, 2008, and nowhere disclosed to shareholder that certain institutional investors would receive selective disclosures regarding difficulties in the Primary Fund long before others did.

38. The Trust is the registrant for the shares of the Primary Fund, and as such is strictly liable for the false statements contained in the Registration Statement. The defendants named herein were responsible for the contents and dissemination of the Registration Statement.

39. None of the defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement were true and without omissions of any material facts and were not misleading.

40. By reasons of the conduct alleged, each defendant violated, and/or controlled a person who violated, Section 11 of the Securities Act.

41. Plaintiffs have been irreparably damaged by defendants' actions in a manner that cannot be fully known or compensated by monetary damages. Indeed, plaintiffs believe and therefore aver that defendants do not have even approximately the assets that would be necessary to reimburse plaintiffs and other investors who did not receive selective disclosures for their investment losses.

42. Defendants' actions have resulted in the loss of at least $10 billion from the Primary Fund that was redeemed by certain institutional shareholders who were the recipients of selective disclosures.

COUNT II
Breach of Fiduciary Duty

43. Plaintiffs repeat and reallege the allegations contained in paragraph 1 - 43 above.

44. RMCI, the Trust and Mr. Bent all owe fiduciary duties to all shareholders of the Primary Fund, including a duty of loyalty and the duty of utmost good faith and honesty.

45. The actions of RMCI, the Trust, Mr. Bent, and their agents in making selective disclosures to certain institutional investors as set forth above insured to the substantial detriment of plaintiffs and other shareholders that were not apprised of those disclosures on Monday, September 15, 2008. These actions were in breach of the duty of loyalty owed to plaintiffs and the other shareholders that did not receive selective disclosures.

46. Defendants knew or should have known that making selective disclosures to certain investors would result in those investors making massive redemptions on the Fund, causing detriment to other shareholders to which Defendants also owed a fiduciary duty.

47. Defendants knew or should have known that the net asset value of the Primary Fund faced negative consequences due to the fund's exposure to Lehman securities. Therefore, Defendants breached their fiduciary duties by allowing $10 billion in redemption requests to be processed and paid at a $1.00 NAV in light of the looming difficulties of the Fund.

48. By making selective disclosures to certain investors but not others, Defendants failed to avoid, and indeed caused, material dilution and unfair results to occur to Primary Fund shareholders. This activity violated Rule 2a-7 of the Investment Company Act and is further evidence of defendants' breach of fiduciary duty.

49. Plaintiffs have been irreparably damaged by defendants' actions in a manner that cannot be fully known or compensated by monetary damages. Indeed, plaintiffs believe and therefore aver that defendants do not have even approximately the assets that would be necessary to reimburse plaintiffs and other investors who did not receive selective disclosures for their investment losses.

COUNT III
Violation of Minnesota Consumer Fraud Act, M.S.A. § 325F.69

50. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 – 50 above.

51. By failing to provide plaintiffs with the information it had provided other investors through selective disclosures, defendants engaged in deceptive practices in violation of the Minnesota Consumer Fraud Act ("MCFA"). For example, it was a deceptive practice to tell some investors, but not all others, about the possibility of the Primary Fund "breaking the buck" on Monday, September 15, 2008. It was also a deceptive practice to tell some investors, but not all others, of the significant redemption activity occurring on Monday, September 15, 2008.

52. Defendants' deceptive practices in violation of the MCFA were the direct and proximate cause of plaintiffs' alleged damages.

53. Plaintiffs have been irreparably damaged by defendants' actions in a manner that cannot be fully known or compensated by monetary damages. Indeed, plaintiffs believe and therefore aver that defendants do not have even approximately the assets that would be necessary to reimburse plaintiffs and other investors who did not receive selective disclosures for their investment losses.

COUNT IV
Violation of Minnesota False Statement in Advertising Act, M.S.A. § 325F.67

54. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 – 53 above.

55. Defendants disseminated untrue, deceptive, and/or misleading claims in their Prospectus and Registration Statement regarding the methods by which information is disseminated to shareholders and the methods by which redemption requests would be handled. The actions taken by defendants on September 15, 2008 in no way resembled the procedures set forth in defendant's Prospectus and Registration Statement.

56. Defendants' Prospectus and Registration Statement therefore constitute false statements in advertising in violation of the Minnesota False Statement in Advertising Act ("MFSAA").

57. Defendants' false statements in advertising in violation of the MFSAA were the direct and proximate cause of plaintiffs' alleged damages.

58. Plaintiffs have been irreparably damaged by defendants' actions in a manner that cannot be fully known or compensated by monetary damages. Indeed, plaintiffs believe and therefore aver that defendants do not have even approximately the assets that would be necessary to reimburse plaintiffs and other investors who did not receive selective disclosures for their investment losses.

COUNT V

Breach of Implied Covenant of Good Faith

59. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 – 57 above.

60. Plaintiffs made investments in the Fund pursuant to a prospectus and other agreements. The prospectus and other agreements are contracts between plaintiffs and the Trust.

61. In Minnesota, contracts include an implied covenant of good faith and fair dealing.

62. By making selective disclosures to certain investors but not to plaintiffs, defendants have violated the implied covenant of good faith and fair dealing.

63. Plaintiffs have been irreparably damaged by defendants' actions in a manner that cannot be fully known or compensated by monetary damages. Indeed, plaintiffs believe and therefore aver that defendants do not have even approximately the assets that would be necessary to reimburse plaintiffs and other investors who did not receive selective disclosures for their investment losses.

Wherefore, plaintiffs hereby pray for the following relief:

1. A preliminary injunction enjoining defendants and each of them, by themselves or through their agents, from further processing, redeeming or paying any redemption requests to the Primary Fund that does not treat all shareholders in the Primary Fund as of the opening of the bond market on September 15, 2008 in the same way;

2. An expedited trial on the merits, consolidated pursuant to Rule 65(c) with the hearing on the preliminary injunction;

3. To the extent that certain institutional funds' redemption requests have already been paid, or investors' redemption requests made on September 15 and 16, 2008 were processed and paid at a larger NAV than the plaintiffs and their investors, monetary damages awarded to plaintiffs in an amount to be determined;

4. Such other and further relief as to the Court shall seem meet and proper.

Dated: October 23, 2008

AMERIPRISE FINANCIAL, INC. and
SECURITIES AMERICA, INC.

/s/ Will F. Stute

Will F. Stute, 279663
Michael M. Krauss, 342002
Faegre & Benson
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402-3901

Harvey J. Wolkoff, *pro hac vice*
Robert A. Skinner, *pro hac vice*
Ropes & Gray LLP
One International Place
Boston, MA 02110
(617) 951-7000

VERIFICATION

The foregoing is true and accurate to the best knowledge and belief of the undersigned.

Signed to under the pains and penalties of perjury.

/s/ John C. Junek
John C. Junek

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